

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NOS. 1995-371-C 1998-376-C 2010-240-C- ORDER NO. 2010-609

SEPTEMBER 8, 2010

IN RE:	Docket No. 1995-371-C - Application of DukeNet Communications, Incorporated to Provide Intrastate Telecommunications Services as a Carrier's Carrier) ORDER APPROVING MERGER
)
	Docket No. 1998-376-C - Application of DukeNet Communications, LLC for a Certificate of Public Convenience and Necessity to Provide Local Exchange Service to Customers Located in Areas of the State of South Carolina Currently Being Served by BellSouth Telecommunications, Incorporated d/b/a AT&T South Carolina, Verizon South, Incorporated (f/k/a GTE, South Carolina) and United Telephone Company of the Carolinas)
)
	Docket No. 2010-240-C - Application for Approval of the Merger of DukeNet Communications, LLC and DukeNet OpCo, LLC (Operating as DukeNet Communications, LLC After the Transaction))

This matter comes before the Public Service Commission of South Carolina ("Commission") on the Application for approval of the merger of DukeNet Communications, LLC ("DukeNet") with and into DukeNet OpCo, LLC ("OpCo"). DukeNet is a subsidiary of Duke Energy Corporation ("Duke Energy"). DukeNet OpCo, LLC will be the surviving entity and will operate under the legal name DukeNet

Communications, LLC. DukeNet published notice of the requested merger in newspapers of general circulation, but no Protests or Petitions to Intervene were filed.

The Application described the proposed transaction and the reasoning behind it. As part of its efforts to expand the telecommunications business conducted by DukeNet, on June 23, 2010, Duke Energy Services, Inc. (“DES”) signed a definitive agreement with Alinda Telecom Investor I, L.P. and Alinda Telecom Investor II (together, “Investor”), pursuant to which Investor will invest in the DukeNet business through a joint venture transaction. To facilitate its ability to establish a joint venture for DukeNet’s telecommunications business that can be treated as a partnership for federal tax purposes, Duke Energy intends to reorganize the DukeNet business prior to the consummation of the joint venture transaction. To effect the reorganization, the following steps have been or will be taken: (i) DES formed DukeNet VentureCo, Inc. (“Seller”), as a wholly owned direct subsidiary of DES; (ii) Seller formed DukeNet Communications Holdings, LLC (“HoldCo”), as a wholly-owned direct subsidiary of Seller; (iii) HoldCo formed DukeNet OpCo, LLC (“OpCo”), as a wholly-owned direct subsidiary of HoldCo; and (iv) DukeNet will merge with and into OpCo, with OpCo as the surviving entity operating under the legal Name DukeNet Communications, LLC.

After the reorganization, Seller will sell fifty percent of the equity interests in HoldCo to Investor for a cash payment equal to the fair market value of such interests. After the consummation of the transaction, each of Duke Energy and Investor will own indirectly fifty percent of the equity interests in OpCo, which will operate as a joint venture under the name DukeNet Communications, LLC. At the closing, OpCo will

enter into services agreements with certain Duke Energy affiliates, pursuant to which such Duke Energy affiliates will provide certain administrative, support and transition services to OpCo. It is anticipated that the management team and other employees of DukeNet will remain in place after the proposed transaction.

Following the merger, there will be no change in the managerial or technical staff of DukeNet, and therefore, no change in the managerial and technical capability of OpCo. Similarly, OpCo will be technically qualified to provide competing local telecommunications services, including local exchange and interexchange telecommunications services, in South Carolina. All assets owned and used by DukeNet in the provision of services will remain assets of OpCo. After the consummation of the transaction, OpCo will be a joint venture equally owned by Duke Energy and Investor. Upon or shortly after the transaction, it is anticipated that the joint venture will enter into a credit facility in the amount of approximately \$100 million to fund future expansion. The Office of Regulatory Staff has no objection to the proposal.

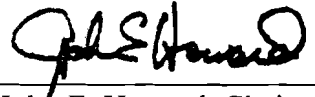
After due consideration of the matters included in the Application, including the managerial, technical, and financial aspects of the Application, we hereby find that the merger of DukeNet with and into OpCo should be, and is hereby, approved. We believe that the new joint venture will have the managerial, technical, and financial ability to continue providing telecommunications services in South Carolina, and the merger is therefore in the public interest. DukeNet shall notify this Commission, and furnish a copy of said notification, to the Office of Regulatory Staff when the merger is consummated.

SEPTEMBER 8, 2010

PAGE 4

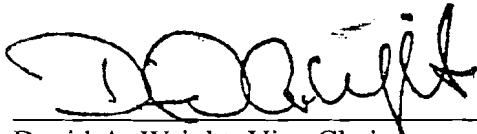
This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



John E. Howard, Chairman

ATTEST:



David A. Wright, Vice Chairman

(SEAL)